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SUBJECT: MEXICO FACES GRIM EMPLOYMENT OUTLOOK FOR 2009

REF: MEXICO 0045

¶1. Summary: Although the year is just two months old, government officials, leading private sector figures and academics are predicting a grim employment outlook for Mexico in 2009. According to the GOMQ,s National Statistics Institute (INEGI), by the end of 2008 official unemployment rate for MexicoQ,s formal economy was 4.32 percent; its highest level since 2000. Undoubtedly a good part of the reason for MexicoQ,s inability to generate jobs can be attributed to the worldwide economic slowdown. This external fact is small comfort to MexicoQ,s job seekers and many Mexicans are looking to their government for some type of relief. This figure however, is misleading since official figures make little distinction between fully employed persons, underemployed person or persons actively looking for work; all are counted as being employed. Once these factors are taken into account the real unemployment rate could be three or four times as high as the official figures. During his 2006 presidential campaign, then candidate, Felipe Calderon promised that if elected he would be the Q&Employment President.Q8 Partly in keeping with this promise President Calderon recently announced a new set of measures to help offset the impact of the global financial and economic crisis and stimulate the economy (Reftel) called "The National Accord in Favor of the Families' Economy and Employment". As this new initiative was only announced on January 7, it is still too early to say how successssful it will be. For now however, the countryQ,s poor job outlook for 2009 is a cause of serious concern for a broad spectrum of Mexican society. End Summary.

GOVERNEMNT FIGURES ACKNOWLEDGE BLEAK JOB OUTLOOK FOR 2009

¶2. The global economic slowdown has hit Mexico and as a consequence the prospects for employment in 2009 are not good. The Mexican governmentQ,s National Statistics Agency (INEGI) recently announced that signs of worryingly higher job loss were clearly visible by the close of 2008 when it placed MexicoQ,s official unemployment rate among economically active population (defined as workers age 12 and over) at 4.32 percent. This figure however, is misleading since official figures make little distinction between fully employed persons, underemployed person or persons actively looking for work; all are counted as being employed. Moreover, based on recent OECD figures, at least 43-45 percent of all Mexicans who are currently Q&employedQ8 work on the informal economy. Once these factors are taken into account the real unemployment rate could be three or four

times as high as the official figures. According to the INEGI announcement this was the highest unemployment rate the agency has reported since the year 2000. INEGI's harsh figures were supported by the Mexican Social Security Institute (IMSS) which reported that in the last two months of 2008 some 386,000 jobs were lost on Mexico's formal economy. IMSS authorities indicated that at least 193,000 of these jobs were in the country's manufacturing sector.

13. The grim employment outlook for 2009 was also indirectly acknowledged by two GOM cabinet level officials. The first was Treasury Secretary Agustin Carstens who, while attending an event commemorating the 25th anniversary of the National Federation of Bank Employees Unions (FENASIB), stated that Mexico would not be exempt from the worst global economic crisis in a century. Carstens opined that industrial production, consumer consumption, investment and employment would all be negatively affected in the first half of 2009.

14. The other cabinet member to speak about the hard times now facing Mexico with regards to employment and job creation was Secretary of Labor Javier Lozano. While at the same FENASIB meeting as Agustin Carstens, Labor Secretary Lozano at first tried to put the best spin possible on Mexico's employment situation. According to Lozano, the Labor Secretariat (STPS) National Employment Service (SNE), a federally administered jobs bank began 2009 with 23,000 more registered job offers than job applicants. However, he then had to acknowledge that within the first 20 days of January the SNE received 91,000 requests for job placement or other assistance and that by mid-2009 it expected to provide assistance to another 250,000 job seekers. Days later the

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SNE itself provided a bit more detail on the growing numbers of job seekers by indicating that the states showing much higher than normal levels of unemployment were Chihuahua, Baja California, Tamaulipas, Sonora and Coahuila.

15. In an effort to address this situation President Calderon announced on January 7 a new set of measures to help offset the impact of the global financial and economic crisis and stimulate the economy (Reftel): "The National Accord in Favor of Families, the Economy and Employment. The proposal focuses on job creation, avoiding layoffs, pension protection, lowering electricity rates, helping small businesses compete, freezing gasoline and gas prices and boosting investment in infrastructure. In announcing the program Calderon acknowledged that Mexico faced a period of great difficulty and rising unemployment but stated that the fundamentals of the country were solid.

PRIVATE SECTOR ALSO PREDICTS SIGNIFICANT JOB LOSS

16. The harsh employment scene acknowledged by the above mentioned GOM cabinet officials was also commented on by leading figures in Mexico's private sector. At the end of January Ricardo Gonzalez Sada, the president of COPARMEX, one of Mexico's largest employers associations, predicted that the businesses that formed the membership of his organization expected to lose over 150,000 jobs. With this level of job loss the COPARMEX president said it would be difficult for member businesses to maintain their productive plant. Gonzalez Sada's job loss predictions were echoed on a smaller scale by Luis Mahbub Sarquis, the president of CONCANACO, the Mexican confederation of chambers of commerce. Mahbub Sarquis opined that Mexico's services and tourism industries could expect to lose at least 30,000 jobs over the course of 2009.

17. For his part, Gonzalez Sada partly attributed anticipated job losses to a drop in sales as a result of reductions in consumer spending. However, he also very pointedly criticized the GOM for not doing enough to support the

private sector. Gonzalez Sada urged the GOM to do more to create proper incentives for growth as a means of saving jobs. He suggested that the government could start doing this by reducing both business and payroll taxes. Ismael Plascencia, the President of the Confederation of Industrial Chambers of Commerce urged the GOM to quickly move forward with public works infrastructure projects as a way to stimulate economic growth and job creation.

18. Several major national daily newspapers quoted executives from large employment agencies as saying that the country was currently seeing a jobs boom. Unfortunately, the boom was in the number of people seeking jobs and not in the number of jobs private sector companies were seeking to fill. The director of public relations for Manpower Mexico said that nationally, thus far this year, her firm was seeing an increase in the number of job seekers of between 20-30 percent over what it saw last year. Another employment firm, Bumeran.com, reported that its on-line registrations for job seekers has seen a 35 percent increase over what it saw in the early part of 2009 over the figures on record for 2008.

ACADEMIA WEIGHTS IN -----

19. Researchers at two of Mexico's most prominent universities concur with the grim general assessment of the country's job outlook for 2009. The National Autonomous University of Mexico (UNAM), a public institution and the Technological Institute of Monterrey (ITESM), a private university, have both predicted significant job losses for Mexico during the current year. The more pessimistic forecast was made by researchers at UNAM. During a recent press conference a professor at the UNAM's Institute for Economic Studies predicted that Mexico could lose up to 500,000 jobs this year if the country did not enact more expansive fiscal and monetary policies and face a 4 percent drop in its gross domestic product.

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110. Academics at the ITESM were not as downbeat as those at the UNAM. The ITESM researchers predicted that Mexico would only lose around 250,000 jobs and that its gross domestic product would decline by about 1.5 percent. However the ITESM researchers did note that during the six year presidential administration that began in 2000 Mexico generated an average of about 165,000 per year. Since the start of the Calderon Administration nearly two full years ago Mexico has only generated 83,000 jobs per year; a figure significantly less than the one million jobs a year that the ITESM calculated the country needs to keep pace with its population and to maintain a stable economy capable of meeting the Mexico's social requirements

COMMENT -----

111. During his 2006 presidential campaign then candidate Felipe Calderon promised that he would be the Employment President. Thus far however, President Calderon has not been able to make good on this promise. His January 7 proposal to promote job creation and avoid layoffs appears to be a sincere attempt aimed at stabilizing the country's employment situation. That said, it is still too early to say how successful the new program will be and critics of the Calderon administration have described the initiative as a mere band-aid in the face of the global economic slowdown. There is clearly genuine concern across a broad spectrum of Mexican society over the grim prospects for jobs in 2009 that could ultimately convert itself into a self fulfilling prophecy.
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